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THE WOOL SITUATION

Summary

The domestic wool situation has improved in recent months. Mill activity has increased, and prices of wool are somewhat higher than in early summer. Domestic prices may strengthen more before the end of 1938, but no marked rise appears likely until the foreign wool situation is improved. Wool manufacturing activity has increased in some European countries in recent months, but Japanese buying remains greatly curtailed.

Total supplies of Southern Hemisphere wool for the current season may be slightly larger than in 1937-38. On the basis of returns from three important countries, the quantity available is likely to be about the same as the average for the five seasons 1932-33 to 1936-37. The larger supplies this season, compared with last, are the result of a considerably larger carry-over, since combined production in the three countries is estimated to be slightly smaller than last season.

The weekly rate of consumption of apparel wool by United States mills in July was the highest reported since last August and was 11 percent more than in July last year. But because of the small consumption in the early months of 1938, total for the first 7 months of the year was more than 40 percent smaller than a year earlier and 20 percent less than the average consumption for those months in the 5 years, 1932-36.

Unfilled orders for wool piece goods increased in the second quarter of this year. With stocks of finished and semi-finished goods relatively small, and with prospects for some improvement in the general business situation, it

is expected that mill consumption will increase further during the remainder of 1938.

United States imports of apparel wool for consumption from January to July of this year were 11.8 million pounds compared with 126 million pounds imported in those months last year and an average of about 29 million pounds for the 5 years 1932-36.

Supplies of raw wool in the United States on August 1 were much larger than at the corresponding time in 1936 and 1937. But mill consumption during the remaining months of 1938 is likely to be larger than a year earlier and imports probably will remain relatively small. By the end of the year, therefore, stocks may be no larger than a year earlier.

RECENT DEVELOPMENTS IN DOMESTIC SITUATION

Background.- In the last half of 1937 and early months of 1938 mill consumption and prices of wool declined sharply in the United States. The average farm price of wool in June 1938 was 45 percent below the high of 1937 and was lower than at any time since the spring of 1935. The decline in prices and activity in the domestic market was accompanied by declines in foreign markets. Supplies of raw wool accumulated in the United States and in Southern Hemisphere selling centers but the large stocks of finished and semi-finished goods which had accumulated in this country during the period of high mill activity in 1936-37 were greatly reduced.

Demestic mill consumption of wool increased in May and June and the increased consumption was accompanied in July by larger sales and higher prices in raw wool markets. Conditions in foreign wool centers have remained largely unchanged in recent months.

Wool Sales and Prices

Following the relatively large wool buying and rapid advance in prices in the domestic wool market in July, sales declined sharply in August and prices on the Boston market were irregular and slightly lower.

Country packed lots of 3/8 and 1/4 blood bright fleece wools were offered in Boston at 28-29 cents a pound in the grease, at the end of August compared with 31-32 cents a month earlier. Prices of spot bright fleece wools of fine combing quality remained unchanged from July at 29-31 cents a pound the last week in August but quotations for similar 3/8 blood wools had declined to 30-31 cents a pound compared with 32-33 cents at the end of July.

Sales of territory wools at Boston were small in August and prices declined on most grades. Good French combing length fine territory wools in original bags were available late in August at 62-65 cents a pound, scoured basis, compared with 65-66 cents a pound a month earlier. Prices of graded territory wools of combing length averaged 71 cents a pound scoured basis, for fine and 59 cents for 3/8 blood the end of August compared with 65 cents and 54 cents a pound, respectively, at the low point in June. Prices of such wools in late August were about 30 percent below those of a year earlier.

The average farm price of wool on August 15 was 19.5 cents a pound compared with 18.7 cents on July 15 and 31.4 cents on August 15, 1937.

Federal Government wool loans

The loan program for wool producers has provided an important stabilizing influence on domestic prices during recent months. According to a recent announcement a total of 80 million pounds of wool had been appraised for loans by August 20, and of this quantity loans had been completed on 32 million pounds with the remainder in process. The loans have averaged about 17.4 cents per grease pound at warehouses.

Wool stocks and imports

Total supplies of raw wool in the United States on August 1 remained much larger than at the corresponding time in 1936 and 1937. Imports of wool were much larger in 1937 than in other recent years and domestic wool production was about average. Mill consumption of wool was very small in the last half of 1937 and in the first half of 1938. As a result of the large imports and reduced mill consumption the carry-over of old wool into the 1938 marketing season was much larger than the carry-over a year earlier. With the carry-over of wool from last season considerably larger and domestic production in 1938 not greatly different from that of 1937, the total supply of wool in the United States is now considerably larger than it was a year ago. Mill consumption of wool in the remaining months of 1938, however, is likely to be somewhat larger than in the same months of 1937 while imports probably will remain relatively small. By the end of the year, stocks may be no larger than a year earlier.

United States imports of apparel wool for consumption from January to July 1938 were 11.5 million pounds compared with 126 million pounds imported in those months last year and an average of about 29 million pounds for the 5 years 1932-36. Imports in July amounted to 2.9 million pounds. The July imports were the largest for any month so far in 1938 but were only about half as large as imports in July of last year.

Mill Consumption

The weekly rate of apparel wool consumption by United States mills in July was 4,549,000 pounds. This was an increase of 18 percent over the June rate and was 11 percent higher than in July last year. The July consumption was the largest since August of last year.

Consumption in the first 7 months of 1938 was equivalent to 174 million pounds of shorn wool, grease basis and 36 million pounds of pulled wool. In the same months of 1937 consumption was equivalent to 290 million pounds of shorn wool and 48 million pounds of pulled wool.

Unfilled orders for certain woven cloths held by 138 reporting mills increased somewhat in the second quarter of 1938. This was the first increase reported in unfilled orders since the first quarter of last year. Mill sales appear to have declined seasonally in August. The following table shows unfilled orders reported by mills at the end of each quarter, 1936 to date.

Unfilled orders for woven cloth, reported by 138 mills at the end of each quarter, 1936 to date 1/

End of -	Men's wear	Women's wear	Auto cloths 2/	Total
	1,000 linear yd.	1,000 linear yd.	1,000 linear yd.	1,000 linear yd.
1936				
1st. quarter	41,159	9,590	1,118	51,867
2nd. "	26,788	10,561	1,294	38,643
3rd. "	24,568	6,500	2,682	33,750
4th. "	38,741	14,733	3,864	57,338
1937				
1st. "	58,170	12,473	2,617	73,260
2nd. "	33,167	12,173	1,912	47,252
3rd. "	15,221	7,541	3,773	26,535
4th. "	16,056	6,403	2,098	24,557
1938				
1st. "	9,732	4,302	1,862	15,896
2nd. "	15,569	8,880	1,285	25,734

Compiled from Monthly Statistics of Wool Manufacture, published by the National Association of Wool Manufacturers. These 138 mills equipped with 30,000 looms. Cloth less than 50 inches wide reported in equivalent 54-inch yardage.

1/ Reports are for specified dates near the end of each quarter, usually after the 25th of the month.
2/ Excludes cloth with pile or jacquard design.

OUTLOOK FOR DOMESTIC PRICES

Wool prices in the United States during the remainder of 1938 will be influenced chiefly by domestic mill consumption of wool, and by changes in wool prices in the foreign markets. Domestic mill consumption was very small in the last half of 1937 and early months of 1938 and stocks of finished and semi-finished wool goods were sharply reduced. Mill activity has increased since May and in view of the small stocks of wool goods, and prospects for some improvement in the business situation generally, it is expected that domestic mill consumption will increase further during the remainder of this year.

The recent sharp increase in wool prices and mill activity in the United States, however, has not been accompanied by a corresponding improvement in foreign countries. While there has been a slight increase in activity in some European countries the curtailment of Japanese wool buying is a serious handicap to general improvement in the world wool situation.

The recent advance in domestic prices has widened the spread between foreign and domestic wool prices, but the spread is still somewhat less than the tariff. If foreign prices remain fairly stable, a further moderate advance in wool prices in the United States could occur without causing much increase in imports. No marked rise in domestic prices is likely, however, until there is an improvement in foreign wool prices.

FOREIGN SITUATION

Wool Sales and Prices

The 1938-39 selling season opened at Sydney Australia on August 29. The selection at the opening sale contained considerable wool of good quality from the previous season. Prices for the best quality wools were fully equal to the closing prices of the previous season in June but prices of most other wools were slightly lower than in June. Germany, France and England purchased freely at the early sales. Japanese buyers took very little wool however, and prices were irregular in the first week of the sales.

There was a sharp increase in demand from United States buyers for coarse wools in Argentina in July. Prices for second clip wools advanced as much as 15-20 percent according to the Buenos Aires Branch of the First National Bank of Boston. Finer grades have not been in demand and prices of such wools remained more or less unchanged.

No wool auctions were held in London in August; the next series will open on September 20.

Southern Hemisphere Wool Supplies for the 1938-39 Season

Preliminary estimates indicate that supplies 1/ in three important countries, Australia, New Zealand and the Union of South Africa, will amount to approximately 1,675 million pounds, an increase of 3 percent above the quantity available last season but approximately the same as the average for the 5 seasons 1932-33 to 1936-37. These three countries furnish about 75 percent of Southern Hemisphere wool supplies. The larger prospective supplies this season as compared with last are the result of a considerably larger carry-over, as production in the three countries combined is estimated to be about 2 percent smaller than last season.

1/ Carry-over at selling centers plus estimated production.

The carry-over at principal selling centers of these three countries at the end of June 1938, was 148 million pounds, compared with only 60 million pounds a year earlier. This is exclusive of farm stocks reported from time to time by official and semi-official sources.

Stocks of old and new clip wool at selling centers in Australia, New Zealand and the Union of South Africa at the end of July, the first month of the 1938-39 season, amounted to 143 million pounds, and were over twice as large as at the end of July 1937 but smaller by 2 million pounds than at the end of June, which is unusual. The reduction in stocks at selling centers in these countries in July as compared with June this year is the result of smaller receipts of new clip wool in July than a year earlier. July exports from Australia, New Zealand and the Union of South Africa amounting to 56 million pounds were 12 percent smaller than in the same month of 1937 but 39 percent above average.

Stocks 2/ of wool in Argentina and Uruguay on July 31, the end of the first 10 months of the 1937-38 season, amounted to approximately 160 million pounds and were about twice as large as on the same date a year earlier and 70 percent larger than average July 31 supplies for the 5 years 1932 to 1936.

Stocks of wool on hand as of July 31 in the five Southern Hemisphere countries mentioned amounted to about 300 million pounds compared with 136 million pounds on July 31, 1937 and average July 31 stocks for the 5 years 1932 to 1936 of 219 million pounds.

Exports from Southern Hemisphere Countries

Exports from Australia and the Union of South Africa for the season ended June 30, amounted to 998 million pounds, according to official estimates which was 8 percent smaller than in 1936-37. All of the most important European consuming centers took larger amounts than they did last season but the increase to these countries was more than offset by a decrease of 75 million pounds in exports to the United States, and a decrease of 98 million pounds in exports to Japan.

Exports from Argentina for the 10 months of the season through July, amounted to only 241 million pounds a decrease of 15 percent compared with 1936-37. Exports during the first 6 months of the season were unusually small, the decrease compared with the preceding season for the same period being 45 percent. Since February, however, exports in each month have been larger than in 1936-37. Exports from Uruguay in the first 10 months of the season to July 31 were 34 percent smaller than those of a year earlier.

2/ Carry-over into the 1937-38 season plus estimated production minus exports and estimated quantity consumed July 31. Season ends September 30.

Supply Situation in Importing Countries

The sharp decline in Southern Hemisphere exports in the 1937-38 season was largely the result of the decline in imports into Japan and the United States.

Imports into Japan in the 12 months ended June were only 95 million pounds compared with 258 million pounds in 1936-37 and an average of 235 million pounds in the previous 5 years. While stocks of wool in Japan are unusually low, imports are likely to remain curtailed under present economic conditions, but perhaps not to so great an extent as in the season just closed. Japan has recently renewed a trade agreement with Australia under which some increase in wool purchases appears possible. It is to be noted, however, that Japan's purchases under the previous agreement fell far short of the quota.

Retained imports into the United Kingdom in the 12 months ended June 1938 were about the same as in the previous season, although consumption of imported wool is unofficially estimated to have declined as much as 25 percent. The relatively large imports in the 1937-38 season, when mill activity was reduced probably are accounted for by the relatively small supplies held at the beginning of the season. With stocks replenished, no general increase in demand for raw wool in the United Kingdom appears likely until there is a substantial improvement in mill activity in that country.

Imports into France and Germany in 1937-38 were considerably larger than in the previous season and the German imports were equal to the average imports of the 5 preceding years. Demand from German buyers is largely dependent upon barter agreements between Germany and surplus wool-producing countries. The lower wool prices in 1937-38 made it possible for Germany to secure larger quantities of wool under existing trade agreements.

While there has been some improvement in mill activity in Germany and France this year, stocks of raw wool in those countries probably are larger than a year earlier. Exports of wool manufactures from France in the first half of 1938 were slightly larger than in the same months of 1937.

SUPPLEMENTARY DATA

Table 1.- Prices of wool per pound in specified markets and prices of textile raw materials in the United States, selected perio , 1936-38

Market and description	Average 1936	Average 1937	Aug. 1937	1938		
				June	July	Aug.
Boston:	Cents	Cents	Cents	Cents	Cents	Cents
Territory combing scoured basis:						
64s, 70s, 80s, (fine)	92.0	101.9	102.0	65.0	68.6	71.2
56s, (3/8 blood)	80.4	87.1	88.5	54.0	58.2	59.4
46s, (low 1/4 blood)	65.9	72.1	73.5	49.0	51.8	53.0
United States:						
Farm price, 15th of month, grease basis	26.9	32.0	31.4	17.7	18.7	19.5
London: 1/						
Average quality, clean cost 2/						
70s	58.4	62.1	64.4	44.9	42.6	
56s	35.1	46.3	47.7	31.5	30.8	
46s	23.8	39.5	42.8	26.3	25.2	
Bradford: 3/						
Scoured basis -						
64s warp	59.8	64.7	71.7	43.4	45.1	44.7
50s	29.7	43.2	47.8	26.9	27.7	26.4
SOUTHERN HEMISPHERE -	BETWEEN SEASONS-PRICES NOT REPRESENTATIVE					
United States:						
Textile fibers -						
Wool, territory fine staple 4/	92.0	101.9	102.0	65.0	68.6	71.2
Cotton, 7/8 Middling 5/	11.9	11.2	10.2	8.4	8.8	8.4
Silk, Japanese 13-15 6/	176.6	186.0	187.3	160.9	181.1	173.7
Rayon yarn, 150 denier	58.6	62.2	63.0	49.0	49.0	51.0

Foreign prices have been converted at prevailing rates of exchange. Yearly averages are averages of monthly prices except United States farm price which is weighted average.

1/ Average of quotations for each series of London sales reported by the London Office of the Bureau. For months when no sales were held figures are interpolated.

2/ Top and noil in oil.

3/ Quotations reported about thr 25th of the month by the London Office of the Bureau.

4/ Scoured basis, Boston market.

5/ Average at 10 markets.

6/ 78 percent white, at New York.

Table 2.- United States: Wool imports, consumption and machinery activity, specified periods, 1936-38

Item	Jan. - Dec. 1936	Jan. - Dec. 1937	Jan. - July 1937	Jan. - July 1938	July 1937	June 1938	July 1938
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Imports for consumption actual weight: 1/							
Apparel	110,712	150,160	126,022	11,483	5,448	2,043	2,911
Finer than 40s	84,759	126,601	107,816	7,358	4,520	1,182	1,591
Not finer than 40s	25,953	23,559	18,206	4,125	928	861	1,320
Carpet, including camels hair	143,276	172,091	128,604	20,253	13,570	3,609	3,997
Consumption, scoured basis 2/ -							
Weekly average -							
Apparel	5,351	4,772	5,605	3,193	4,102	3,867	4,549
Carpet	2,029	2,023	2,541	861	1,581	828	999
Aggregate -							
Apparel	278,258	248,121	173,752	98,991	20,510	15,467	22,746
Carpet	105,504	105,197	78,758	26,699	7,905	3,313	4,996
	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Machinery activity: 2/ (40-hour shift)							
Worsted combs	121.1	115.2	138.4	76.6	104.2	96.3	113.8
Worsted spindles	83.5	82.2	98.4	49.9	70.5	63.2	64.2
Woolen spindles	118.2	107.8	126.4	62.9	101.1	65.3	78.2
Looms, broad	98.9	97.2	115.5	58.5	92.6	62.6	67.2
Looms, narrow	51.9	51.0	63.3	23.5	40.5	19.2	20.5
Carpet and rug looms	68.3	71.3	82.9	38.7	62.6	33.6	37.5

Import figures from official records of the Bureau of Foreign and Domestic Commerce. Consumption and machinery activity figures from the Bureau of the Census.

1/ Weight of greasy, scoured and skin wool added together.

2/ Figures for June based on 4 weeks, July on 5 weeks, January to July on 31 weeks. No adjustment made for holidays.

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Table 3.- Exports of wool(grease, scoured and washed combined) from Australia and the Union of South Africa for entire season, July 1 to June 30, 1936-37 and 1937-38

Country of destination	Australia 1/		Union of South Africa 2/		Total	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
United Kingdom	310.8	324.9	36.5	40.4	347.3	365.3
Germany	44.2	56.1	44.8	79.4	89.0	135.5
France	83.9	132.0	35.2	43.6	119.1	175.6
Italy	36.4	30.3	11.6	17.9	48.0	48.2
Belgium	130.9	97.1	22.5	19.5	108.4	116.6
Netherlands	10.0	8.5	3/	3/	10.0	8.5
Japan	84.4	70.5	89.2	5.2	173.6	75.7
United States	74.7	4.7	5.2	0.5	79.9	5.2
Canada	4.2	3.4	3/	3/	4.2	3.4
Total	779.5	727.5	245.0	206.5	1,024.5	934.0
Other countries	46.4	52.4	10.1	11.9	56.5	64.3
Grand total	825.9	779.9	255.1	218.4	1,081.0	998.3

Wool Intelligence Notes.
1/ Statistics of the Commonwealth of Australia Bureau of Census and Statistics.
2/ Report of the South African Trade Commissioner in London.
3/ If any, included with "other countries".

Table 4.- Exports of wool (grease, scoured and washed combined) from Argentina and Uruguay to principal consuming countries, first 10 months of season, October 1 to July 31, 1936-37 and 1937-38

Country of destination	Argentina		Uruguay		Total	
	1936-37	1937-38	1936-37	1937-38	1936-37	1937-38
	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.	Mil.lb.
United Kingdom	69.4	64.3	20.6	19.5	90.0	83.8
Germany	17.9	66.3	17.8	30.2	35.7	96.5
France	34.7	43.2	5.0	3.9	39.7	47.1
Italy	25.6	8.8	9.9	6.2	35.5	15.0
Belgium	23.8	18.4	8.4	4.9	32.2	23.3
Netherlands	0.8	1.8	1.8	2.7	2.6	4.5
Japan	21.2	6.7	26.5	3.1	47.7	9.8
United States	75.6	13.7	26.8	0.8	102.4	14.5
Total	269.0	223.2	116.8	71.3	385.8	294.5
Other countries	12.9	17.5	2.0	7.4	14.9	24.9
Grand total	281.9	240.7	118.8	78.7	400.7	319.4

Trade reports supplied by Buenos Aires Office of the Bureau of Agricultural Economics.